

**An argument to shew the error of certain principles
of political economy.**

London : Simpkin & Marshall, 1831.

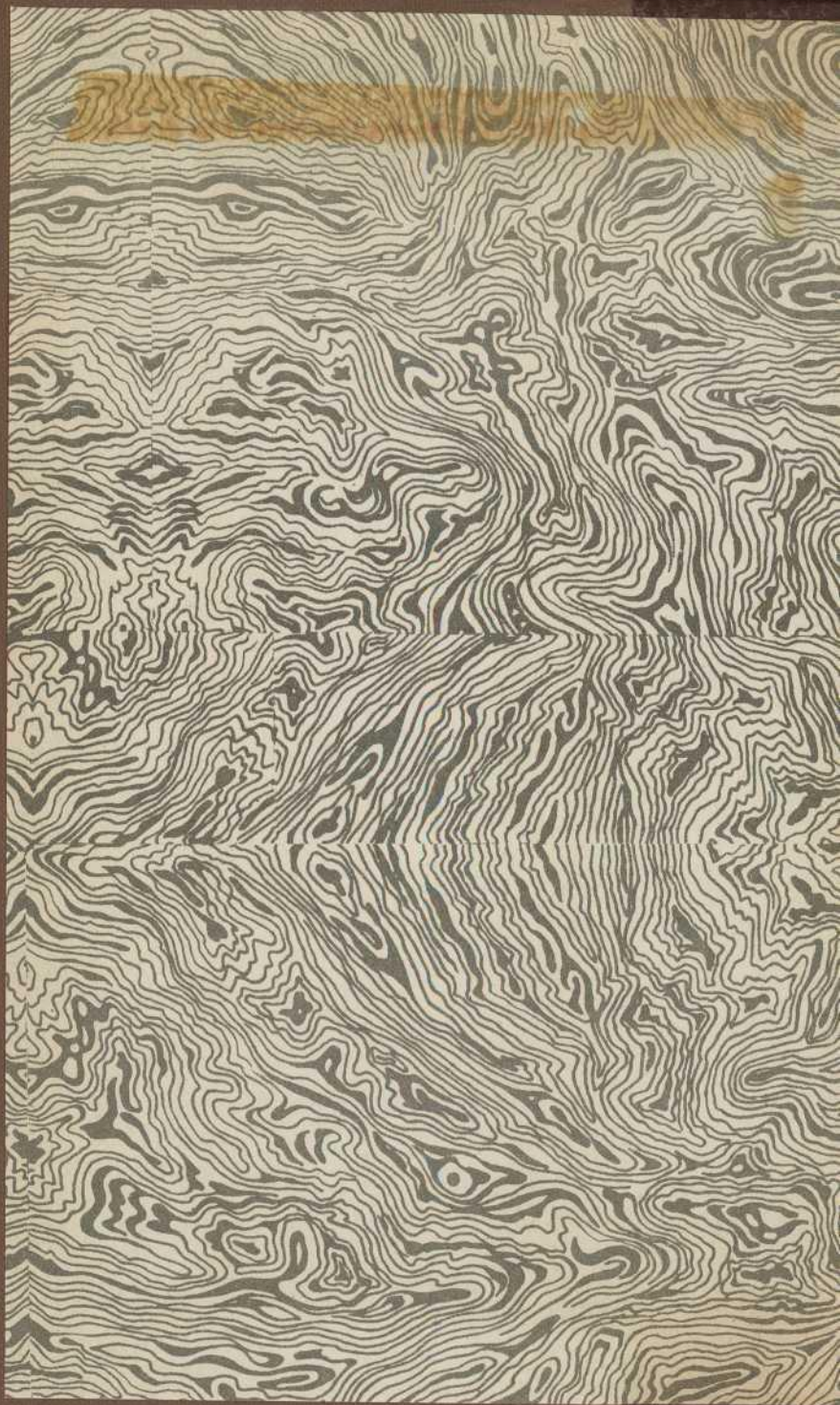
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AN ARGUMENT
TO SHEW THE
ERROR OF CERTAIN PRINCIPLES
OF
POLITICAL ECONOMY.

“READ, NOT TO CONTRADICT AND CONFUTE, NOR
TO BELIEVE AND TAKE FOR GRANTED, NOR TO
TALK AND DISCOURSE, BUT TO WEIGH AND CON-
SIDER.”—*Bacon*.

LONDON:
SIMPKIN & MARSHALL, STATIONERS' COURT.
WRIGHT & BAGNALL, BRISTOL.

1831.
Price One Shilling.

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ADVERTISEMENT.

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He is sensible that his ideas appear under many disadvantages as to style, and some as to arrangement of the subject. The only apology that he can offer for these defects, is, that his opinions are, if founded in truth, calculated to throw some light upon the cause of the present distress of the country : and that he has therefore brought them forward as early as possible, consistently with clearness of expression. He hopes that, under these circumstances, the attention of the reader, bent upon the importance of the object in view, will overlook the imperfections, which, in some places attach to the Author's manner of treating the subject.

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AN ARGUMENT, &c.

FROM the doctrines of that enlightened class of philosophers, called Political Economists, we derive the following Theorems.

1. *That it is the first interest of every nation or community, to obtain whatever commodities it may require, at the smallest possible expence.*

2. *That it is the interest of all nations collectively, and of each nation separately, that there exist a perfect freedom of commerce.*

3. *That wealth consists, not in land, nor in money, but in the accumulation of the products of industry: and that money is not in itself wealth, but the measure of the exchangeable value of goods.*

4. *That there cannot be what is commonly termed a glut of goods in the market, if those goods be but duly proportioned to each other.*

It is impossible to speak of the authors of these theorems, otherwise than as of the great teachers and benefactors of mankind. They have cleansed an Augæan stable of vulgar and uncharitable prejudices. They have shed the clear light of their own searching philosophy, upon a subject affecting, above all others, the temporal happiness of mankind.

They have shewn that the interests of the different classes, of which the human race is composed, are not only not opposite or incompatible, but closely linked together: and they have shewn to princes and rulers of states, that *their* aggrandizement arises, not from conquests or acquisitions by the sword, but from the exact and impartial administration of justice in their states. We give the praise of this to the economists; and we give it willingly, because it is just: but we question the theorems above quoted, because we think them erroneous.

Of the first of these theorems,—

That it is the first interest of every nation or community, to obtain whatever commodities it may require, at the smallest possible expence.

That this is desirable to many individuals we admit: but that it is not a national interest, we think may be easily demonstrated. Let A represent that portion of the whole earth, which abounds in agricultural productions, but has no arts of manufacture: let Z represent the manufacturing portion, but be quite unable to compete with A in agriculture. According to the theorem, these two parties exchange, A the productions of land, with Z for the productions of art. The one does not attempt to raise that agricultural produce, nor the other to make those articles of manufacture, which each can purchase so much cheaper from the other. It follows, that a considerable portion of the earth, belonging to Z, which might, though with difficulty, be made productive of food, lies unproductive; and that a quantity of industry, which A might bring into action among her own subjects, lies dormant. Thus, the theorem operates to diminish the sum total of the productions of each of the two portions, into which (in the supposition) the whole world is divided.

If it were true, that it is the first interest of every nation to obtain all things at the cheapest rate, then would it be the interest of England so to do with respect to corn. But it is certain, that such a course would not only completely destroy the agricultural interests of this country, but that at least three-fourths of the arable land in it would be thrown out of cultivation. For it is utterly impossible for any English farmer, who rents his farm, to sell his corn at the same price as the cheap corn countries: and if the large proprietors, to whom more than three-fourths of the land belongs, attempted to farm their own estates, the waste and mismanagement unavoidable in farms of overgrown extent, would soon convince them that they lost by farming. The theorem, if applied to England, would reduce the value of land, the productions of land, and all those who derive a subsistence from land, and in their expenditure afford a subsistence to others, to nothing. If the theorem be from this cause utterly inapplicable in England, in which country (we may observe) it has been received with peculiar admiration; we may justly conceive, that from some cause or other, it has been found inapplicable in any other country: for, notwithstanding the high-minded principles which pervade the modern commercial code of England, we find that no other country imitates her example.

Truth upon this subject seems in few words to be this. Wherever trade of any kind is, *there* must be laws, to enforce the fulfilment of contracts. Wherever laws are, there must be a government, and wherever a government, taxes. Now, it is admitted by the economists themselves, that the burden of taxes falls ultimately upon agriculture: and the quantity of taxes imposed in any state, depends upon political occurrences, which, the economists

also acknowledge, are beyond the sphere of their science. If, then, agriculture be affected by taxation; and taxation be a pressure, the extent of which no theory can discover or limit; so neither can the elements of the value of agricultural produce be fixed or ascertained by theory. In other words, as theorem cannot equalize the pressure of taxation upon different countries, so neither can it equalize the value of agricultural productions in those countries. It is obvious, that these agricultural productions must either bear an exchangeable price, adapted to the taxation of the country in which they are raised, or cease to be raised. This exchangeable price, in states highly taxed, can only be obtained by laws for the exclusive production of corn of native growth: and if this price be not obtained, the agriculture, and all the interests dependent upon the agriculture of the state, and shortly, the state itself, must go to dissolution.*

The second theorem to be examined is—

That it is the interest of all nations collectively, and of each nation separately, that there exist a perfect freedom of commerce.

It has been shewn that all nations may possibly be placed, and all nations probably will be placed, in a situation in which it is necessary to support the agriculture of the country, by laws for the exclusive protection of that interest. These laws can have force only in that state in which they are enacted; and their immediate and heaviest pressure is upon the labouring population of that country. On the existence of this labouring population depends the market, or effective demand, for the agricultural produce of the country: and the very existence of the labouring population depends upon the remuner-

* See note A.

ation of their labor being proportioned to the price of food. But as the works of industry of countries in which food is cheap, may evidently be produced at such price, as, in a free competition, to drive the works of industry of the country in which food is dear, out of the market ;* it follows, that in every state which is highly taxed, either there must be an exclusive protection, both of the landed, and of the manufacturing interests of the country ; or that the whole productions of it must be reduced to so nearly nothing, as, in a state highly taxed, to bring on the dissolution of the state itself. We have thus a demonstration, that it is not the interest of each nation separately, and it consequently cannot be that of all collectively, that there exist a perfect freedom of commerce.

The first great improvement in the productive powers of industry is the division of labour. The division of labour requires that the industry of every one be applied to produce, not that which he consumes himself, but that which he is to exchange for what he consumes. Thus every one labours to produce something which shall afterwards be the subject of a contract. The business of these contracts is, in substance, the exchange of the productions of land, and those of industry, each for the other. It is clear, that the greater the number and magnitude of these contracts, the greater the wealth of the community : and it is clear that, for this purpose, it is necessary that the parties meet, as nearly as possible, upon equal terms. Any inequality is, as far as it goes, a diminution of the inducement, which there would otherwise be to one of the parties, to produce that which he should bring to the contract. There is, however, in all these contracts a great

* See note B.

natural inequality between the parties. The possessor of the produce of land may command peremptorily the equivalent of his production : It is food, and what the opposite party must have, upon whatever terms. The possessor of the productions of industry, on the other hand, has no such power ; but is by nature in a state of absolute dependence upon the other party in the contract. It is in remedy of this inequality, that we consider the policy of Europe to have been wisely applied, in framing laws for the exclusive support of the industry of towns.

Again. 1. Let us suppose a country, A, to be wholly agricultural, and to have no kind of manufacture. She is compelled in this case to obtain all things of which she has need (except food) from foreigners. The only population that she possesses, is that concerned in agriculture ; and nearly all her produce, except what is consumed by these, is paid, in exchange for commodities, to foreigners ; to persons who have no connexion, no community of interest or feeling with A. A is in this case only about half as populous, half as wealthy, half as powerful, and capable of defending herself against foreign aggression, as she would be if all the conveniences she enjoys were produced by the labour of her own subjects. If A, in this state of her progress, admits perfect freedom of commerce, she effectually precludes herself from the attainment of any manufactures whatever. For the successful conduct of any manufacture, skill, industry, capital, and the concurrence of many other advantages are necessary. Hence, the first step in such a project would be attended with so much expence and risk, as no person would incur, unless allured by some exclusive advantages, held out by the government of the country.

2. If A add to her agriculture skill and industry in manufactures, so as to be able to procure, by native industry, all the commodities that she consumes, the whole of her wealth is then employed in maintaining her own subjects; and her population, and wealth, and political power, are about twice as great as they were in the preceding supposition. If A in this state adopt freedom of trade, she places herself, as we shall presently shew, in constant danger of having some portion of her population deprived of employment, or means of support.

3. If A, so far improve in manufactures as not only to supply herself with all commodities, but to export to other states the work of her industry; her population, and wealth, and power, are obviously increased, in proportion to the quantity of her industry for which employment is thus furnished. If the system of free trade be universally adopted, A will in this case engross the supply of the whole world, in all the articles of manufacture, in which she excels the whole world. She will derive, towards the subsistence of her industry, so much of the *produce of the soil* of other countries, as is equivalent to the works of industry which she thus disposes of. But A cannot depend upon the duration of free trade for one moment. For in every state which is highly taxed, a restrictive system must be adopted, or the state go to dissolution: and in other states the natural ambition of the government will be to arrive at the second state in our supposed progress of A. Besides, if free trade continued, the success of A, in this sphere of action, depends entirely upon her underselling the whole world in the commodities in question. In this intense competition, all the capital, and industry, employed in other states, to manufacture the same commodities are sacrificed: and A preserves her ascendant only by reducing her

own profits of stock, and wages of labor, to a starving pittance.

4. Let us suppose that in this state of the progress of A, some other nation becomes able to undersell her in those things which she has been accustomed to export. The condition of A is then, in consequence of free trade, much worse than it would otherwise have been : for that portion, B, of her population, which had been employed in the manufacture now lost to her, is now without employment. In this case, say the economists, B must apply their industry to some other productive pursuit. *But there is no such pursuit open for them.** The circumstance of A having lost the ascendant in the foreign market in some of her manufactures, by no means implies that she gains the ascendant in some other. The demand, which previously existed for those manufactures in which A still excels, is nowise affected by the transfer to some other country, of the manufacture which she loses. The fund, which hitherto afforded the employment and subsistence of B, passes into the hands of a similar class of labourers (call them Y,) in some other country. These labourers, of necessity, spend this fund, or money, in their immediate subsistence, not in the manufactures of A. Supposing a universal freedom of trade, the fund passes from the people, Y, to the people by whom corn is produced cheapest. In the hands of these people, it forms neither more nor less demand for the manufactures of A, than it would have done in the hands of the same people, after forming the wages of B. We have been more than usually minute in this instance, because the economists consider that free trade, if it deprive B of their former employment, will provide for them a new one. We consider it to be clearly shewn that it will

See note C.

not; and that A is eventually encumbered with the permanent burden of maintaining a population, (B,) for whom there is no productive employment.

5. Let us suppose that in some commodity (as woollen cloth) of very common use among the subjects of A, another country becomes able to supply her cheaper by 10 per cent. than she can supply herself. According to the maxims of free trade, A purchases this article of the foreign manufacturer, and all the subjects of A who use it, save ten per cent. in the price. But as A, by so doing, throws that portion, B. of her population, whose subsistence depends upon the woollen cloth manufacture, out of means of subsistence; and as A is compelled, in one way or other, to afford them subsistence; the whole country loses much more than 10 per cent. It loses, except in as far as the 10 per cent goes to afford them some other employment, the whole subsistence of B. It has been erroneously supposed, that A does not so lose; as the cloth must be paid for by some other, or the equivalent received for some other, of the productions of the industry of A.* But the demand for the other productions of the industry of A, in this, as in the last supposition, does not increase by her loss of the woollen cloth manufacture. The consumers of woollen cloth in A, procure the money with which they purchase it, from exactly the same source as when it was manufactured by their own countrymen. The money, which they give in exchange for the cloth, will, for the most part, form the wages of the labourers employed in making the cloth; and these labourers require to expend the wages on their own subsistence, not on the (comparative) luxuries which form the productions of the industry of A. If it be supposed that the money will pass afterwards into other hands, in

* See note D.

which it will form an increased demand for the manufactures of A ; it is to be remembered, that it would at least as much have formed such a demand in the hands into which it would have passed, after forming the wages of the cloth workers in A. Thus the real position of A, incontestably is, that by paying to the foreigner 90, rather than paying to her own brethren 100, she encumbers herself with a needless payment (to B) which cannot be less than 50 or 60, at the same time that she sustains the far more serious loss of the circulation of the 90 among her own industrious subjects.

We have here a view of all the possible cases to which perfect freedom of commerce may be applied : and it is impossible to shut our eyes to the enormous grievances, which it must produce in every country in which it is permitted. In contravention of the plainest dictates of common sense, it operates that all that land, the productions of which cannot be raised at the cheapest rate, shall lie fallow. In contravention of the great law of nature, that man shall live by his calling, it operates that of all those who labour in the same calling, those only who excel (and this excellence is frequently the effect of fortuitous advantages) shall live by it. It, in the political sense of the term, brings into being, a numerous, and what might be, a valuable population : and suddenly, without either fault committed or warning given, transfers from them that occupation which should be their subsistence ; and leaves the individuals in undeserved misery, and their country encumbered with the burden of miserably maintaining them.

In compensation of the long train of calamities which this proceeding occasions, the economists adduce one argument which is entitled to some con-

sideration. It is, that by free trade, every improvement in art, by which any production is obtained with less labor, is made available to the service of the consumers of that production in all countries. If however we examine this argument, we shall find that it is rarely, if ever, necessary, for the attainment of this advantage, to incur the real calamities of an unrestrained freedom of trade. The inventor of every useful art, (not his country) is justly and naturally the proprietor of the invention. If, residing in his own country, the inventor is precluded, by a rigorous system of exclusive trade in other countries, from reaping the fruits of his invention in the foreign market, it is in his power and to his interest, to carry his invention into foreign countries, and exercise it there for his own benefit. If, for instance, a subject of France should discover some great improvement in the manufacture of linen; and by a system of total exclusion, was unable to sell his production in England: it would be his interest to form a connection with English manufacturers of linen, and to thus reduce his invention to practice, by English labourers, in the English market. Thus the French artist would derive the just reward of his ingenuity: the English consumer of linen would derive the benefit of the new process for making it: and the English labourer would not be exposed to the loss of his employment and subsistence.

There may indeed be some instances in which this process is impracticable: but they are comparatively but few.

While we deprecate *perfect* freedom of commerce, we are far from saying that there are no instances, in which a freedom of interchange is to be approved: on the contrary we are sensible that there are many. The principle that we maintain is, that the discern-

ment of these instances belongs, not to science or theory, but to the wisdom of the legislature, applied to the actual circumstances, of every country.

THE economists, through all their reasonings, appear to consider, that the principal object to be pursued, is the greatest possible accumulation of the productions of industry. This object, however, is one which grows so easily out of the relation of the different classes of society to each other, that it requires not the extrinsic aid of science and philosophy. In all countries which have any trade at all, the laws are cogent for the protection of property : and as the bulk of mankind are born to no other inheritance, than their bodily strength, they will much rather gain their subsistence by industry, than perish in idleness. If they are to gain their subsistence by industry, that industry must be applied to such things as are desirable to those who give subsistence for them. We have in this, an abundant security for the supply of the productions of industry, without the assistance of the economical science.

If the economists have erred in supposing this to be the principal object of their science, they have erred no less in the means of attaining this object. That system, though called by the alluring name of freedom of commerce, which brings in its operation the utter destruction of all states that are highly taxed ; which, in effect, debars those young and rising nations, which as yet have no manufactures, from ever attaining any ; which of necessity brings the price of labour to the most scanty subsistence, and makes even that precarious : manifestly destroys the very existence of some nations, and grievously diminishes the population and wealth of all others. And as the greater the number of industrious persons, the greater the quantity of the productions of industry ; so the farther these precepts of the

economical science are adopted, the less must the quantity of those productions be.

In the known tendency of the human race to increase, we have an assurance that there will be at all times a sufficient supply, both of industry, and of the productions of industry. But, as there is no tendency in the resources of those, who have hitherto been considered the consumers of those productions, to increase in an equal ratio; we have reason to expect that there will be, sooner or later, an excess of those productions above the demand for them; in other words, an excess of the number of industrious persons, beyond those for whom there is employment.

Again, in every country the laws are a dead letter, unless there be an efficient government to carry them into action. The expence of maintaining the efficient government of any country (in other words, the taxes necessary for that purpose) depends not only upon the nature of the government itself, but upon the state of peace or war in which the nation may be placed. As it is seldom in the choice of countries engaged in war, either to remain in that state, or to make peace; it is not in the power of any nation to limit the taxation to which it may be exposed, or the pressure which may thus be brought upon its agriculture and industry.

We have here the two real difficulties in the modification of the resources of national wealth. The pressure of population upon subsistence; the pressure of taxation upon industry; are difficulties to which, if the attention of the economists had been principally, or even exclusively, directed, we should have said that they had earned even higher honours than those which they undoubtedly have acquired.

A full development of the principles applicable to these subjects is a task which we are sensible of

our inability to undertake: we hope however that the following ideas may not be utterly useless.

The original source of all commerce and industry, is that portion of the produce of the earth, which is over and above what is consumed by the agriculturist in cultivating the land. The disposal of this surplus produce, part of it as materials to which future industry is applied; and the remaining, or greater part of it, as the wages of that industry; forms the substance of the commerce of the whole world. Of perfect freedom of trade, we see that it is a scene of competition, which perhaps no two nations in the world can enter, upon precisely equal terms. It will therefore be the policy of each nation, to adopt such regulations for the industry of its own subjects, as are best adapted to *their* particular advantage. Now, of nations which are densely peopled, it is evidently the first interest, to devise means for the permanent employment and subsistence of the people. That these means be sufficient is indeed the first object; but it is scarcely less important that they be permanent. For effecting these purposes, they have no resource but that of causing the whole surplus produce of their own agriculture, to be applied to the employment of the industry of their own subjects: in other words, of prohibiting the admission into their country, of those productions of foreign manufacture, which compete with their own manufacturers; and of prohibiting the residence of their own subjects in foreign countries.* These prohibitions it is in the power of any state to enforce, to almost any assigned degree of exactness; and they form the ground-work of the only policy, by which it is in the power of any populous nation to consult its own safety. Where this policy is adopted, the whole agricultural resources of the

See note E.

country are applied to support the industry of the country : which in return forms an efficient demand for its agricultural produce. Thus, in the continued action and re-action of these two powers upon each other, every resource of wealth and power which the country possesses, is exercised and developed to its utmost power of production.

When, however, in the progress of population, the natural resources of the country become insufficient for the liberal subsistence of the labourer, we have before us the two expedients of becoming the manufacturers of foreign nations, and of colonization. Of these resources, the first is both precarious, and constantly diminishing. It is precarious, because it can only be held by underselling the manufacturers of all other countries. It is constantly diminishing, because those states, which at the beginning of their career, purchase, from necessity, the manufactures of other nations, will, as their population increases, manufacture for themselves. In colonization however, we find a resource, which not only provides for the redundant population, but renders that population the origin of a vast and permanent increase of the wealth, of the mother country.

In carrying this measure into effect, the attention and wisdom of the government of the mother country, are powerfully called into action. Upon the conduct then adopted, depends, in the first instance, the success or failure of the whole undertaking. Upon the policy then decided upon and begun to be pursued, depends the alternative of the future adhesion of the colony to the parent state, or of her secession from it.

In order to the first of these purposes, we conceive it to be the interest of the government of the mother country, to acquire a knowledge of the difficulties which await the settlers on their arrival, and of the

best (known) means of surmounting those difficulties ; and to communicate this knowledge without reserve to all persons desirous of belonging to the colony : to cause each party of emigrants to contain not less than one hundred able bodied men, of fair character, inured to hardship, and in the prime of life ; to place each party under such regulation as to command the co-operation of the whole party, for such works as may be necessary for the safety or advantage of the whole colony ; to afford to the emigrants, if necessary, some advance of things needful for their purpose, and to receive payment for this advance out of the second or third year's produce ; and to afford, in every way, such valuable assistance as may be rendered by the government of an intelligent and wealthy nation, in the accomplishment of a purpose, no less beset with difficulties, than important in its future effects.

For the second purpose, that of securing the future adherence of the colony to the parent-state, we conceive no policy so likely to be effective as that of transplanting, with the people and the habits, as nearly as possible, the laws both civil and commercial, and the religious and social institutions, of the mother-country ; giving to the colonists, in every respect, the same freedom, security, and advantages as are enjoyed by their countrymen at home.

In considering the means of diminishing the pressure of taxation upon industry, we shall not indulge in ethical speculations upon the proportions, in which different orders of persons in the same state ought to contribute to its exigencies ; but shall apply ourselves at once to devise the means by which any proposed sum may be raised with the smallest possible privation to all.

It is a favorite notion of all writers on this sub-

ject, that the just object of taxation is the luxuries and incomes of the rich ; and that in proportion as these are made to pay to the revenue of the state, the burden upon the poor is diminished.

In order to a clear perception of truth upon this point, it is necessary to give some attention to a most important principle in the production of industry, which is the circulation of money.

Whenever an individual spends money in any purchase, the immediate effect of the transaction is, that the tradesman who receives the money is enabled, as he is already sufficiently induced by his interest, to apply so much money to the reproduction of the commodity sold. As this reproduction is an operation of industry, the money thus spent causes in the first instance, the employment and maintenance of a certain quantity of industry. As the industrious persons, to whom the money is paid as wages, expend for the most part, the amount of those wages in their immediate subsistence ; this money is again paid by them to another class ; who forthwith employ it in setting in motion the industry of *their* calling. Thus, any supposed sum of money, which is once spent, passes subsequently, perhaps once in every ten or fifteen days, into other hands ; forming at every change of hands the wages and subsistence of labor.

We are aware that in this circulation, some portion of the money must be calculated as detained by the grower of corn to pay his rent : but this, which is but a small portion of the whole, falls again at the following quarter day into the stream of circulation.

It may also be alleged, that in some instances, the labourer does not expend the whole of his wages, but saves a part ; but this is the case of but few labourers, and with them it is the saving of but a small part.

Although it may be said, that in each of these transitions that portion of the money, which forms the profit of the trader who receives it, is not applied to the re-production of the commodity sold; yet as that profit is shortly after spent in the subsistence of the trader, the general effect upon industry is nearly the same as if it were so applied.

After all deductions that can be made, and in the absence of any data upon which to form a precise calculation; we yet must be sensible that whatever sum of money is brought into circulation, passes many times in the year into different hands; and in every instance forms the wages of labour, which would otherwise not have been called into action. How many of these transitions it makes, we have certainly no means of ascertaining; but as it forms in every instance the wages of labour, which must be shortly spent in subsistence, we are probably far far below the truth, in considering that they are twelve in every year.

Upon this principle it follows, that if any sum of money be spent upon commodities of foreign production, the sum spent is twelve times repeated in the year, to the support of foreign industry; but if in the productions of domestic industry, then is it so many times applied to the support of domestic industry.

Upon the same principle, if the landed gentry of a country highly taxed, reside in a foreign country, and spend their rents there, they apply to the industry of the nation in which they reside, and withdraw from that of their own country, a support equal to twelve times their yearly expenditure. And as the industry of their own country forms the only market at which the produce of their own land can find a customer, they, by residing abroad, both injure their country, and destroy the permanent source of their own rents and revenue.

In like manner, if a tax be imposed upon property or income, as people generally live up to their income, the tax is a needless deduction of twelve times its amount from the fund for the support of the industry of the country. For one million thus received by the state, twelve millions are withdrawn from the support of industry; and if the taxation of the state at all apply to commodities of common use, the amount easily arising from the twelve transitions of the million, will probably far exceed the million required.* Hence the true principle for the attainment of a large amount of taxes, appears to be, to raise as high as possible the condition of the labouring population, and to impose indirect taxes upon commodities of general use.

The principles which, upon the whole, appear to be just upon the question of free trade, are these. That it is impossible that any nation which is highly taxed, can long continue an independent state, if she adopt the system of perfect freedom of trade. That the first interest of every state is, not the greatest possible cheapness of commodities, but the permanent employment, and liberal subsistence of the people. That for this end the most certain, as well as effective, policy, is to enlarge as much as possible, the resources of the agricultural wealth of the state; and to provide, that the whole produce of her agriculture be applied to the support of her industry. That when the diminution of wages evinces that population presses upon subsistence, the country extend her agricultural resources by colonies; and that the colonies so planted, be part of the territory, and the colonists part of the subjects, of the mother country. That, in taxation, the great object is to increase the ability of the people to pay the tax, and that indirect taxes upon things most necessary are

* See note F.

least burdensome; because, being applied to objects of which the consumption is greatest, the smallest degree of taxation will produce the required revenue.

The Third Theorem to be considered, is,—

That wealth consists not in land, nor in money, but in the accumulation of the products of industry; and that money is not in itself wealth, but the measure of the exchangeable value of goods.

The economists here use the term wealth, not in its literal or actual sense, but in a hypothetical or imaginary sense, which they assign to it for the more clear elucidation of their reasoning. They do not for instance mean to say, that a man possessed of much land, or much money, is not a wealthy man; but that as, in their sense of the term, all wealth must be something which has been produced by industry, these things are not the wealth to which their science relates. We conceive it thus unnecessary to demonstrate that land and money are wealth; and shall proceed at once to make some observations upon the influence, which these two kinds of wealth exercise, upon the prosperity of mankind.

Land is the source, from which are derived both the materials upon which industry is to operate, and the subsistence with which industry is rewarded. It is therefore a resource, which the government of every country may make effective, for the sure and constant support of the industry of a certain number of subjects. And as the system of free trade, which the economists commend, places the support of the people upon a most precarious footing, the wealth land is incomparably more valuable than the wealth commodities.

Land has an intrinsic value, which can never decrease, (for the land may be productive for ever,) but generally increases with the improvement of

laws, and civilization of the country. All the productions of industry, even though not exposed to decay by use and friction, decay, and decrease in value, by the operation of time.

Land is productive of that which is the subsistence of man; and which therefore, of all things except money, possesses the greatest power of commanding an equivalent in exchange. There is no production of industry, except manufacturing machinery, which can produce any thing; and the productions of this have no inherent power of commanding an equivalent; but depend, in that respect, upon the voluntary demand of the possessor of the produce of land.

Land comprehends colonies; and a highly civilized and maritime state may, by planting her colonies in well-chosen stations, and fostering them with parental care, realize among her own subjects, and on her own soil, all those advantages and luxuries, for which, in any other circumstances, every nation on the earth is dependent on its commerce with others.

Money, as the economists admit, possesses an exchangeable value; and the same attribute, of exchangeable value, they assign to all other productions of industry. There is, however, an essential difference between the exchangeable value of money, and that of all other things. In order to the adjustment of the value of all the different productions of industry, it is necessary that some standard of value be adopted; and money is the instrument, which, by common convention, is adopted for that purpose. Hence, in the forming of all contracts whatever, it is not in a certain quantity of any particular commodity, but in money, that the obligation always is to be discharged. The *necessity* for this course of proceeding, is, that the only other equivalent that

the party who is to pay, is likely to possess, is the sort of commodities in which he deals; and that the party who is to receive, has probably no occasion for these commodities. He therefore, who either has to discharge a debt, or requires to procure any thing which he has not, must first procure money, and this as his exigency may be pressing, he may be compelled to do at a great sacrifice. He, on the other hand, who possesses money, is not only exempt from this necessity, but in a condition to take advantage of it in the party with whom he deals. Thus the exchangeable value of money, is the power of a master; and that of goods, the precarious condition of a dependent.

That portion of commodities, which the economists designate wealth, is that which forms stock in trade to the owners of the commodities. These persons have possessed themselves of these things, not for their own use or enjoyment, but in the hope of disposing of them to a profit. It is clear then, that as long as commodities remain in that state in which the economists consider them wealth, they are without use; and they are no less without value. They are without use; for the owners will neither use them themselves, nor allow others to do so. They are without value; for though they are, most probably, displayed with all possible arts of attraction, in order to obtain a value; yet till they are sold for consumption; that is, till their place is supplied by money, they have realized no value whatever. What they may realize, whether their full cost, any part of their cost, or nothing at all, is quite matter of uncertainty. If then it be necessary to define wealth, money appears to be the real substance; and commodities the steps, and very slippery steps they frequently are, of the ladder by which men climb to attain it.

Money, from its exchangeable powers, and from its value being less exposed to fluctuation than that of any commodity, is the only proper, indeed the only just, instrument for the wages of labour. As the wages of labour form the real demand for the produce of the soil; and the greater this demand, the greater the amount of rents; and as in proportion to the amount of rents,* is the demand for labour; it follows, that money is that species of wealth, which both the industry and the agriculture of a country are vitally interested in preserving in the country. Of commodities, however, in that state in which the economists call them wealth, the manifest interest of the country, is to send them out of the country, if possible, so as to supply their place with money. While they are unsold, they are a mass, with neither use nor value, standing in a shop or warehouse; and till they be sold from that place, the industry which made them, cannot prudently be again set in motion. We hence determine, that money (which the economists deny to be wealth) is that kind of wealth, the possession of which sets industry in motion; and that commodities (which they do call wealth) are that kind of wealth, the possession of which prevents it from being set in motion.

In order clearly to appreciate the influence of money in setting industry in motion, we must remember, that it not only possesses the power of doing this, but possesses that power, undiminished by time, or by the frequency of its operation. The same metal pieces, which to-day are the wages of one portion of the people, are capable to-morrow of forming that of another, then of a third, and so on in a never-ending repetition. They not only possess

* We here include in this term, the profits of farming stock.

the power of doing this, but, in the ordinary course of human motives, are in fact, frequently called into the exercise of this power. All money must be either the capital or the income of those to whom it belongs. Of capital, the application is, exclusively, to the production of industry. Of income, that portion which a person spends, immediately takes the place of capital, in other hands : that which he saves, he either applies as capital himself; or lends upon interest to others, who so apply it; or he invests it in the purchase of property yielding a revenue, and pays it to persons to whom it forms capital. In every instance, except that singular one of misers, who hoard the money, and are content to forego the advantages of employing it, the sense of interest, the passion of self-gratification, or the immediate necessity of subsistence, causes the money to be in frequent circulation; and at every change of hands, for whatever purpose, it sets in motion, and supports a certain portion of industry.

It is in this faculty of setting industry in motion, and in the frequency with which this faculty is called into action, that consists, as far as the public is concerned, the essential superiority of the wealth money over the wealth commodities. Although it be, as it frequently is, indifferent to an individual, whether he possess his money, or some commodity which he wishes to purchase with it; yet the possession of the one or the other, is by no means indifferent to a nation. A nation has to provide for the subsistence of the whole of its people: it prospers or declines in proportion as that subsistence is liberal or scanty: and that subsistence is proportioned, almost exactly, to the quantity of money circulating in the country.

// If, in a country abounding with industrious peo-

ple, there be a moderate increase, as $\frac{1}{10}$, in the money circulating; the whole of that increase, excepting so much as is hoarded by misers, will shortly come into the hands of persons who will employ it as capital. From these it passes into the form of wages; and as wages, it becomes an increased demand for the produce of the soil. In the hands of the possessors of this produce, it forms again a demand, either for industry, or for the productions of industry; and from either of these states, it again revolves round the same circle, affording, as long as it continues in the country, a positive accession (which would otherwise not have existed) to the wealth of each class of persons to whom it successively passes.

As the tendency of population to increase is a well-known principle, so if these increases of money can, from time to time be accomplished, so that the increase of money should keep pace with the increase of population; in proportion to the increase of population will be, both the increase of agricultural and manufacturing productions, and the demand or employment for industry. Population, no longer restrained by the difficulty of obtaining subsistence, may increase with the utmost rapidity that nature allows; and productions will increase with the same rapidity as population. This course of progress will continue, till the country has attained the highest state of agricultural productiveness that it is capable of permanently maintaining.

At this period, as population will continue to increase, but the subsistence produced in the country cannot increase, it will be necessary to send forth colonies into new countries. If, during those years which must elapse in new settlements, before all the appropriated lands are brought into cultivation, the money can be made to increase, so as to

represent the value of the increasing productions of the soil of the new colonies, the most important object towards the success of the undertaking will have been accomplished. The colonists, excited by the facility of converting the produce of their land into money, will raise that produce in the greatest possible abundance. With the equivalent received for it, they will rapidly effect the various agricultural and local improvements which their situation requires. And the industrious and wealthy population, which these colonies will speedily produce, will form an increasing market, for the increasing productions of the industry of the mother country.

For the success of this operation, two things are necessary.

First,—That the increase of the money be in proportion to the increase of population.

Second,—That the money continue in the country, or in its colonies.

As the increase of productions is in proportion to the increase of population ; if money increase in a greater ratio than this, it must follow, that a certain quantity of commodities is in effect measured by a greater quantity of money—in other words, the money price of all commodities will rise. As the income of all persons not engaged in business, is a definite sum of money, the effect of such a change will be, to induce all these persons, if they can, to quit the country ; and if they cannot, to confine their expence within the narrowest bounds. The operation will thus diminish the market for the productions of the industry of the country.

And, as the increase of productions is in proportion to the increase of population ; if the increase of money be much below that of population, any quantity of commodities being then measured by a smaller quantity of money, the price of all commodities must

fall. But as a large proportion of traders of every kind trade on credit ; and their engagements must be discharged in money ; and as the productions, for which they have engaged to pay according to a certain scale of value, will have fallen to a lower scale : the effect of this state of things must be the virtual insolvency of some portion of traders of every kind. From this insolvency must follow an unusual pressure of the goods, which form the stock of these dealers, into the market ; and thence a proportionate depreciation of the same kind of goods, in the possession of all other traders. Hence a second circle of insolvency, more extensive than the first ; and which will, from like causes, produce a third ; and thus continue spreading, till the stock of all traders, except those whose capital in money far exceeds their capital employed in trade, has been forced into the market as bankrupts' stock.

The effects of this destructive process upon the general wealth of the country, are two.

First. The labourers whom these traders would otherwise employ, will be thrown out of employment ; and their wages will be withdrawn from the market for the agricultural produce of the country. Hence the suspension of the demand, which each of these branches of industry forms, for the productions of the other.

Secondly. No trade of great extent ever has been, or probably can be, conducted but upon credit. The effect however, of these numerous and extensive failures (the cause of which is both too subtile to be easily discovered, and almost impossible to be remedied) will be a mistrust, and want of confidence, on the part of great capitalists, which will long continue to cramp and restrain the industry of the whole community.

From the faculty, which money possesses, of setting industry in motion ; and from the effects, above described, attending the excess or insufficiency of this kind of wealth ; results the necessity that the money in any state, being in proportion to the population of that state, remain in the country. It is to the occasional derangement of this proportion between money and population, that we may trace all, or nearly all the convulsions and vicissitudes which, at different times, affect the value, either of income or of stock in commercial countries. On the one hand, the excess of money depreciates the rents, or incomes, of persons of property. On the other hand, the insufficiency of money depreciates the stock, and sometimes exterminates the capital, of persons engaged in trade. In the former instance, the disproportion of money diminishes the demand for the productions of industry : in the latter, it causes a suspension, which continues long after the cause of the evil has ceased, of the exertion of industry itself.

In the view of so proportioning the increase of money to the increase of population, and of retaining the money in the country in which it is issued, as to avert a large portion of the vicissitudes with which trade and industry are frequently visited ; it is necessary to give some consideration to the elements or component parts of money, and to the purposes which it is most useful in answering.

Money, considered with respect to that of which it is composed, may be divided into three kinds.

First. Real money, or money composed of the precious metals, and containing that full quantity of precious metal which it professes to contain.

Second. Ideal money, or money either compounded of the precious metals and alloy, or even containing no portion of precious metal, and deriving

its character of money only from the edict of the state by which it is issued.

Third. Paper money, or Bankers' notes, which derive their character of money, not from the edict of the state, but from the faith that real money may at any time be obtained for them.

Of the component parts of real money, we may remark that it is composed of the precious metals : and that the metals acquire the title of precious, partly from their inherent qualities, and partly from their being used as Coin. They acquire the title of precious, partly from their inherent qualities, inasmuch as they are of difficult acquisition, and are useful in some rare and ornamental productions. They acquire the title of precious, partly from being used as coin ; inasmuch as the laws of all states constitute them in that form a standard of value ; and the universal usage of trade admits them as such standard. These substances, however, which both law and custom combine in calling a standard of value, are in their own nature incapable of ever being a true standard. Any person possessing bullion, may procure it to be coined ; and the value of that which is, or ought to be, the standard of the value of all other things, is proportionably depreciated. Any person possessing coin may melt it into plate or bullion ; and the value of the standard is proportionably enhanced. The same effects flow from the abundance or poverty of the mines from which the metals are dug. Real money also is constantly wearing away by friction, and we have then to reproduce, not a sign or symbol of value, but a value itself. The device of using the precious metals as a standard, arose in an age in which commerce was in its infancy, and the numerous inventions to which it has given rise were unknown ; but it is well worthy the consideration of a more advanced state of society, whether some more accurate and

less costly instrument may not be adopted in their place.

The second, or ideal money, is compounded of materials, the real value of which is below their nominal value, and of the arbitrary authority, of the state. Of the motives which in most instances occasion this stretch of authority, it is not to our present purpose to speak. Of the value, in exchange, of this kind of money, we may briefly observe, that, in all foreign, and generally in domestic transactions, that part of it which consists of the authority of the state, vanishes; and that the money commands so much of labour or commodities, as the precious metal contained in it, would command, and no more. The authority of the state can never cause 100 oz. of Gold to be equivalent to 150; though if the state chose to acknowledge the 50 as a debt, and punctually paid the interest, it is probable the state might command whatever gold it required, and be in constant good credit. The authority of the state may indeed cause the debt of 150 to be cancelled, by the payment of 100; but that does not render the one equivalent to the other, for in the hands of the creditor who receives this compulsory payment, the 100 still exchanges for only the equivalent of 100. We may indeed conceive a case in which, for the obvious interest, not of the government alone, but of the whole community, the authority of the state shall enact, that the coin shall be formed of materials no wise precious. If the coin, or standard of value thus adopted, be impossible or extremely difficult to counterfeit, it will answer the purposes of the internal trade of the country as well as the precious metals. It will answer this purpose, most probably with more stability as a standard of value: and it will answer this purpose, certainly with much less expence. In the foreign trade however, of the

country, this coin will be of no utility. That department of the business must be conducted either by barter; upon credit, the value being represented in the real money of some foreign state; or in foreign money or bullion.

The third, or paper money, is composed of the promise that a certain banker or bank, will pay a specified sum of real money at a specified time. The principle upon which these notes are received as money is, that the public entertain a positive conviction, that they only need demand payment of them, and that real money will be immediately forthcoming. This species of money is capable of being increased or diminished in any ratio, according to the will of the banker by whom it is issued. As the interest of the banker is clearly understood to be, to issue these notes in those instances alone, in which the real trade of the country demands them; and as bankers generally understand their interest, at least as well as any other class of trades; the invention of this kind of money is perhaps the most useful, that the speculations of commerce have discovered. These notes come into operation, in proportion to the demand for them for the real trade of the country, and that real trade is (except in some extraordinary circumstances) in exact proportion to the population of the country. These notes then, in effect, approximate nearly to the attainment of that proportion of money to population, which it is so desirable to establish. There are, however, two objections to this kind of money, which we think it necessary to state, both from a regard to truth, and from a desire to remove some false impressions which exist with respect to one of them.

First. There is a natural tendency, in the unrestrained use of these instruments, to increase, rather than to diminish, the uncertainty of real money as a standard of value. With the increase of the pre-

cious metals, real money increases ; prices are enhanced ; and the banker, in issuing paper money in proportion to the trade of the country, issues it in proportion to the enhanced price of things ; the price of which is thus still more enhanced. And upon the same principle, with the decrease of real money, the contrary process ensues.

Secondly. These notes are subject to the contingency of the banker becoming insolvent. Without attempting fully to describe either the causes or the extent of an evil so calamitous as the non-payment of this kind of money, there appear to us, three observations applicable to the subject.

First. That we shall find, upon a minute examination of details, that this is a calamity, which, in Great Britain at least, has happened far less frequently, and that from the average amount of the dividends the loss has been far less, than, without such examination of details, is commonly believed.

Secondly. That paper money is the nearest approximation that has yet been made to the increase of money, in proportion to the increase of population; and that the wealth which paper money, if it be brought to bear exactly this proportion, must create and diffuse through the whole community, is at least one hundred times as great, as the loss, which, as far as experience shews, may sometimes occur, through the non-payment of some portion of the notes issued.*

Thirdly. That the non-payment of these notes arises more from the fluctuations in real money, in which they are exigible, than from all other causes. The banker, in issuing his notes, lays himself under a certain law, viz. that he shall pay them in gold or silver whenever required ; but the continuance of gold and silver within any reasonable distance of the equivalents which may be pro-

* See note G.

duced for them, is subject to no law whatever. The causes by which these metals are metamorphosed from coin to bullion, and from bullion to coin; and by which they move in and out of the same place, with a most incomprehensible velocity, can be reduced to no principle or uniform operation.

Thus we find in the three species of money, which alone have hitherto been brought into use, defects, which compel us to pronounce, that in the discovery of an instrument capable of accurately answering the purposes of money, human invention has hitherto been far from successful. Of these three species of money, the first is exposed to fluctuations, which render it upon principle unfit to be ever recognized as a standard of value. The second is an invention, adopted generally for a fraudulent purpose, but which being neither an intrinsic value, nor a representative of value, can never operate as a standard of value. The third, has the faculty of increasing in proportion to the increase of those things of which it is the equivalent; and it is generally a representative of real value. It may however be made to increase in a proportion different from that of the things of which it is the equivalent; and it is sometimes a representative of no value at all.

Money, as an instrument for the creation of industry, may be either a real value, as gold and silver, or a symbol of value, as a bank-note or other token. If we adopt for this purpose real money, we are subject, in the standard of value, to all the fluctuations incident to the substances of which that money is composed. But if we devise a symbol of value, which, though not composed of a precious substance, is founded in a real value; and if the authority of the laws confer upon this symbol, the character of money, of a definite value, not exceeding the value in which the symbol is founded; we

have then a species of money, which can increase by no other means than the act of the legislature, and which there is no inducement to any one to diminish.

As the true principle, with respect to the issuing of money is, that it ought to increase in proportion to the increase of productions, (which is in other words, the increase of population) it may be expected, that the authority of the laws will be applied to increase such symbol of money, as exactly as possible, in that proportion. Thus, all the uncertainty and fluctuations in the value of property, attending the use of the precious metals as a standard of value, will be avoided.

There is, we are sensible, in the habitual feeling of mankind, an objection of no easy management, to the adoption of any species of money, which is not composed of a valuable substance. In reply to this objection, we can only adduce such reasons as we have already stated in the course of this argument, and some others which we consider too obvious to require to be mentioned. But, as a more effectual removal of this objection, we say, that the symbol of money of which we have an idea, is one, that in its own nature can be introduced only by slow gradations : and that the comparative utility of our symbol, and of real money, may be decided by practical experience, long before real money will disappear.

The symbol of money of which we speak, is paper money, issued by bankers, and secured by loans, of at least an equal amount, to the government of the country,* who are to guarantee the payment of the notes. In this operation, it will devolve on the

*In those countries in which there is a national debt, the same purpose may be answered by the deposit, in the hands of public officers for that purpose appointed, of an adequate amount of stock.

legislature to determine the amount, from time to time, so to be issued: the productive purposes, as the formation of roads, bridges, canals, &c. to which the money lent to government is to be applied; and the rate of interest which the government is to pay to the banker, to whom is to be assigned, as in mortgage, the toll or rental of the public works to which the money is applied. It forms an essential part of this operation, that the notes issued by the banker be of such amounts as he shall find most in demand: and that the tender of such notes be legal discharge, in payment of rent, or taxes, or any debt, in the state in which the notes are issued.

In money thus constituted, we shall find the following advantages.

First.—It affords a uniformity in the standard of value, which can never exist in money composed of a precious substance.

Second.—It is founded upon the security of certain useful and productive public works, of which it is the sign or representative. The toll or rental of these public works will, from the beginning, be calculated upon such a scale, as both to defray the expence of repairs, and to pay the interest of the money vested in them. As, however, with the increase of population, the traffic upon these public works, and consequently the rental issuing from them, will increase likewise; so the security, of which our symbol is a sign or representative, is a value constantly increasing; while real money is a value constantly diminishing by friction.

Thirdly.—Our symbol is capable, with no great difficulty, of placing far greater obstacles in the way of robbery and counterfeiting, than can be adopted in any coin,

Fourthly.—Our symbol, being not an intrinsic value, but the representative of a value fixt in the country in which it is issued; and having the effi-

cacy of money in no other place, has a tendency to remain in that country, and there to be continually performing its office of setting industry in motion.

If, in the present situation of Great Britain, the legislature make an immediate experiment, upon the principle here proposed, to the extent of one million sterling : and if the government apply the money to the extension and internal improvement of some of the recently formed British colonies ; the operation will not only bring to the test the soundness of our principle, but will create an increase of national wealth, which probably no person will conceive possible to be produced by so small a sum.

In the proposition that wealth consists in the productions of industry, the economists appear to overlook the homely truism, that wealth is value ; and that the value of these productions is proportioned, not so much to the quantity of the productions, as to the demand that there is for them. If we suppose all the productions that exist, and that all are excellent in their kind, to be assembled in one large free market ; and that all the demand that exists for productions resorts to that market ; and that the demand for productions is as one to some larger number : not only that quantity of productions which is above the quantity one, is of no value ; but that which forms the quantity one, is depreciated in proportion to the competition excited by the quantity in which productions exceed one.* Thus, the productions of industry are not wealth to the possessors of the productions, but very treacherous steps in the ladder which leads to wealth.

If we suppose that the misfortune of this class of persons, is compensated by the advantage of cheapness, enjoyed by the consumers or purchasers of those productions, we build upon a very false foun-

* See note H.

dation. These purchasers are all of them persons whose income arises, either directly or indirectly, from rent or land. The possessors of the productions return from the market, in a situation in which they cannot, with prudence, continue to employ the same quantity of labor as formerly : and as wages are the fund which forms rent ; the "wealth," so called, occasions the loss of some portion of the capital of the possessors of the "wealth ;" and probably, the whole of the revenue of the consumers of the "wealth." Meantime, the "wealth" continues locked up in warehouses, without either use or value, to the possessor or to any body else.

When we deny to the productions of industry the title wealth, we rest on the principle that there is no production, or thing whatever, (except money) which will at all times command, in exchange, a value equal to that employed in creating the production itself.

The economists consider on this subject that productions are wealth, in proportion to the labour employed in producing them. Productions approximate to the character wealth, in proportion to their exchangeable power : and this exchangeable power, we shall shortly shew, has nothing to do with the labour employed upon them. If four persons employ an equal quantity of productive industry, viz :

A, in Corn,	B, in Woollen Cloth,
C, in Linen,	D, in Costly Books ;

it cannot be said that the production of each of these four persons has an equal exchangeable power. A has a good chance of exchanging his production for an equivalent, because corn is what people must have. B has a tolerable chance, but not so good as A. C and D in succession have each a less and less chance, because their productions are less necessary.

To suppose that all productions of equal industry

are equal wealth, is about as consistent with experience, as to suppose that all members of a learned profession, who are equally diligent, are equally successful.

The Fourth Theorem to be considered, is,—

That there cannot be, what is commonly termed a glut of goods, in the market, if those goods be but duly proportioned to each other.

The state of comparative supply and demand described by this expressive, though coarse, appellation, arises rarely from an excess of production, but generally from a diminution of demand. This diminution arises from the disproportion of money to productions, the operation of which we have noticed above. And this disproportion, though it may, and sometimes does, arise from the fluctuations affecting the quantity of real money, arises much more frequently from the diminution of paper money, occasioned by this kind of money being exigible in real money.

There is, however, one cause, which tends to produce a real glut of goods. No fact is more certain, than that a considerable portion of the whole income of mankind, is every year saved, and added to the general mass of stock. The total of capital passes, in the form of wages, into a demand for the produce of the soil. If the possessors of this produce, who thus receive the total of capital, do not apply that total to the purchase or consumption of productions; but save a part, and apply it, (or lend it on interest to others who apply it) to the increase of productions: it is clear, there must, in process of time, be what is called a glut of goods of all kinds in the market.

In this case, it is a delusion to suppose, that the possessors of these goods can interchange among themselves, and each obtain and enjoy those things

that he desires, in exchange for his own superabundance. Each possessor is a dealer, and each dealer brings his goods to market, not to exchange and enjoy, but to sell and to reproduce; well knowing that his subsistence is the profit arising from these operations. As the case supposed is a great excess of productions above demand, it is probable that in such a market, there will be no profit, and as each dealer can purchase of other dealers, only to the amount of his own profit, the dealers can give no help to each other in the market.

The conclusions which appear to be true, upon the subject-matter of the economical science, are these.

That wealth consists in exchangeable value:—
That exchangeable value is of three orders. 1st. Money. 2nd. Land, and the produce of land. 3d. Productions of industry.

That productions of industry increase with the increase of population; and acquire an exchangeable value in proportion to the market that there is for them.

That this market is not to be found in perfect freedom of trade; for, in freedom of trade, what is gained by the industry of one nation, being lost by that of another, this resource, as a market, is likely rarely to be of any continuance.

That this market is to be found in the increase of the productions of land; in proportion to the increase of the productions of industry. And that the continuing increase of the productions, both of land and of industry, is to be found in the increase of money, in proportion to the increase of population.

NOTES.

Note A, page 8.

There is another cause which produces an inequality in the price of corn, in different countries.

All the great fortunes that are made in trades and professions, are generally invested in land : and as the quantity of land in every country is limited, while the competition from these sources for the purchase of it is unlimited ; it follows, that as long as any country continues to pursue a successful commerce, the price of land in that country will continue to rise. As land also is that kind of property, which, either avowedly or tacitly, confers the greatest influence in the enactment of laws ; it is really in the power, while it is both the inclination and the interest, of the possessors of land, to affix to the produce of it a price proportioned, not to the price of that produce in other countries, but to the price which they themselves gave for the land.

Note B, page 9.

It has been erroneously supposed that in the latter country, a great superiority in skill, capital, and machinery, may enable its manufacturing interest still to withstand the competition of cheaper labour. But it is obvious, that if a restrictive system be not adopted, these advantages will find their way to the country in which food is cheap.

Note C, page 12.

The point of view in which the operation of free trade is here exhibited, is by far the most important in which any subject of political reasoning can be placed ; as it involves no less a question than the good or bad, the plentiful or deficient, subsistence of the people. As the reasoning of the economists upon this subject, appears to be in some degree inconclusive, we trust the following examination will not be useless.

If there be any such productive pursuit, as the economists suppose, for the industry of the population B, it must arise from an *increased demand* for the other manufactures of A, equivalent to that of which she is deprived in the case supposed. This *increased demand* must be either for the home-consumption of A, or for that of foreign states. If it be for the home-consumption of A, it follows that the loss of certain of the manufactures of A, causes an increase of the wealth of some portion of her subjects ; a position which can in no way be sustained.

If the *increased demand* be for the consumption of foreign states, it must be either for that of those states, C, D, &c. which have not supplanted A, or for that of the state X, which has. The *increased demand* which may arise in C, D, &c. cannot exceed the proportion of about two, or three, to one hundred, on the unemployed industry of B. For, if we estimate the degree in which X undersells A at ten per cent. which is a very high estimate, the utmost difference that it will make to C, D, &c. is a saving of ten per cent. upon the manufacture in which X supplants A. This surplus ten is the utmost that C, D, &c. will be enabled to apply to the increased encouragement of any kind of industry : and as this ten will be applied to such objects as are most pleasing to C, D, &c. there is no ground for supposing that more than two or three will find its way to A.

The *increased demand* cannot be for the consumption of X. For, the price of the commodity, in manufacturing which X supplants A, consists of two parts, wages, and profits of stock. As the case supposed is free trade, the highest rate of profit can scarcely be so much as ten per cent. on the price, and the remaining ninety will be wages. Now that part (ninety) of the hundred, which forms wages, cannot be received by X in the productions of the industry of A ; for the proprietor (the manufacturer in X) of the ninety requires, not something for his own enjoyment, but money, to form wages for his business. The productions of the industry of A, however, are neither money nor that which is convertible into money : for it has been shewn that neither in A. nor in C, D, &c. is there any demand for them ; nor is the possible demand of X, which previously was fully supplied with the productions of A, increased by more than the 10 per Cent. profit : and of this 10 per cent. there is no ground to suppose that more than 2 or 3 will fall to the share of A. Wherefore nearly the whole of the population B, is deprived of employment.

Again. If we suppose a universal freedom of trade ; every nation will produce or manufacture those things only which it can produce better and cheaper than it can obtain them elsewhere ; and will purchase all other things from those by whom they are produced best and cheapest. The manufactures which each nation will produce, will thus be limited to a very small number. In this distribution, if we suppose that a nation, C, produces four manufactures, as leather, iron, linen, and calico : and that another nation, D, supplants her in one of these, say the linen : as the fact of the whole world being supplied with linen by D, instead of by C, can make not the slightest difference in the quantity of leather, iron, and calico required by the whole world ; the makers of linen in C are thrown out of employment.

To this branch of the subject belong the following propositions.

1. If two states, heretofore under restrictions, shall adopt free trade, it does not follow that neither of them loses in point of support of industry.

Let A and B be the two states. The subjects of A shall choose to use of the manufactures of B, 1000: those of B shall choose to use only 800 of A's. As the subjects of A would otherwise employ their own people to manufacture the 1000, A loses in support of industry 200.

2. And if, in the case above, the subjects of B shall purchase of A's manufacture 1000; as the 200 must be for the use of some third state, C, to whom B afterwards sells the 200; and as C, if B had been out of the question, would have come to A for these 200, the case is not altered.

3 If two states, heretofore under restrictions, shall adopt free trade, and each shall use the same quantity of the other's manufacture, it does not follow that neither of them loses in support of industry.

Let C and D be the two states. The manufactures which C gives shall be necessary; or shall be things in the use of which there is a constant saving, and which D cannot make; or shall be a certain rate, say 50 per Cent. cheaper than D can make them. The things which D gives shall be luxuries; or things in the use of which there is no saving; or shall be less than 50 per Cent. cheaper than C can make them; D has a greater inducement to buy C's manufacture than C to buy D's: therefore C would probably sell her goods to D, even if she did not buy those of D.

4 If two states, heretofore under restrictions, shall adopt free trade, and the one, E, shall buy less of the manufactures of the other, F, than it sells of its own to F; and the difference paid by F shall pass on to a third state, G, who shall spend it in the manufactures of F: still F shall lose in support of industry.

The money paid by F to E must, at least once, but most probably many times, have formed wages of labour among the subjects of E or G before it was spent by G with F: and if it had remained in F, it would probably have formed the wages of labour among the subjects of F, in the same instances, and for the same causes, as it did among the subjects of E and G.

5. If of two states which trade together, the one, H, always pays to the other, J, a balance in money in exchange for manufactures; and J pays this money for manufactures for home consumption to some other state, K; J loses in support of industry by so doing. J, having received money from H, has the power, with that money, of supporting either her own industry, or that of K. It has been shewn (Prop. 1) that J by purchasing the manufactures of K, does not cause K to purchase an equiva-

Postscript, to follow Note C, page 47.

LET us, for instance, suppose,—

That England receives annually 100 Millions in specie from South America in exchange for manufactures :

That in England the consumer can consume no manufacture but that of England : and

That it is a principle, that when the manufacturer sells any of his manufacture, he immediately makes the like quantity of his manufacture again. In this case, England cannot afford to spend any part of the 100 Millions in foreign manufactures.

For, the 100 Millions is composed of three parts.

The *first*, say 5 Millions, the price of the raw material of the manufacture.

The *second*, say 85 Millions, the wages of the labourers who make the manufacture.

The *third*, say 10 Millions, the profit of the manufacturer.

The first part, the 5 Millions, must be applied to the purchase of fresh materials.

The second part, 85 Millions, must go to the purchase of the food of the labourers who make the manufacture : or to that of the labourers who work at such things (not being food,) as the labourers, who make the manufacture, spend some part of their wages in buying. As, in the supposition, no foreign manufacture is admitted in England, so the English manufacturers, in substance, consume the surplus produce of the soil of England. The 85 Millions worth of food, therefore, must be purchased from some foreign country. If it be supposed that this latter country will receive the equivalent in English manufacture : still the wages of the labourers employed on this latter quantity of manufactures must be spent in food, and the money be ultimately exported to buy that food.

The third part, 10 Millions, is not more than probably is necessary, to furnish employment for the increasing population of a country, which exports so largely of her manufactures.

Let us, for instance, suppose --
That England receives annually 100 Millions in specie from
South America in exchange for manufactures:
That in England the consumer can consume no manufactures
but that of England: and
That it is a principle, that when the manufacturer sells any
of his manufactures, he immediately makes the like quantity of
his manufactures again. In this case, England cannot afford to
spend any part of the 100 Millions in foreign manufactures.
Let the 100 Millions be composed of three parts.
The first, say 5 Millions, the price of the raw material of the
manufacture.
The second, say 35 Millions, the wages of the labourers who
make the manufacture.
The third, say 60 Millions, the price of the manufacturer.
The first part, the 5 Millions, must be applied to the purchase
of fresh materials.
The second part, 35 Millions, must go to the purchase of the
food of the labourers who make the manufacture: so that of
the labourers who work at such things (as being food) as the
labourers who make the manufacture, spend some part of their
wages in living. As, in the supposition, no foreign manufactures
are admitted in England, so the English manufacturer, in
substance, consumes the surplus produce of the soil of England.
The 35 Millions worth of food, therefore, must be purchased
from some foreign country. It is to be supposed that this latter
country will receive the equivalent in English manufactures: still
the wages of the labourers employed on this latter quantity of
manufactures must be paid in food, and the money is ultimately
expended in food that food.
The third part, 60 Millions, is not more than probably is
necessary to make a sufficient stock of increasing population
of a country which exports so largely of her manufactures.

lent of her manufactures: (and in Prop. 4) that if the money pass from K, to others who spend it with J, J still loses. And as J is, in this supposition, a wealthy country, exporting her own manufactures; she has probably occasion to consume the produce of the soil of other countries, who do not receive the equivalent in her manufactures, and she has need of the money for this purpose.

Note D, page 13.

If the purchase of the woollen cloth from the foreigner be the cause of an *increased demand*, to an equivalent amount, for the productions of the industry of A; then is our position erroneous. But it has been shewn (see Note C.) that no such effect can be produced by the cause supposed.

Note E, page 18.

For the attainment of the first of these purposes, we conceive the following means to be effective. That the possessor of any prohibited commodity be subject to a penalty of five times the value of the commodity; and that the smuggler be subject to double that penalty. For the discovery of the smuggler, that the possessor, be bound either to produce the previous possessor, from whom he bought the commodity, (and who should likewise pay the penalty as possessor) or be considered the smuggler himself: thus tracing the prohibited commodity through every hand into which it may have past, and levying the penalty on each, to the original smuggler. That a certain proportion of the penalties be a reward to the informer; and, as the object of the measure is not fiscal, but the protection of native industry, that the remainder of the penalties go to a fund for the relief of distressed widows and orphans of industrious persons. In case of any of the possessors, or the smuggler, being unable to pay the penalty, that he pay it in labour on some public work, his labour being estimated at half the price usually paid for such labour.

For the attainment of the second purpose we suggest, that all absentee subjects, except such as are absent on public business, or (from necessity) for health, and some few other instances, which may form special and proper exceptions, do pay a tax of 40 per Cent. upon their income, for such time as they reside abroad. That for the discovery of the income of such absentee subjects, every one of them be obliged to declare, upon his honour and allegiance, the full amount of his income: that if there shall appear grounds to doubt the truth of such declaration, such absentee shall be liable to deliver to Commissioners appointed for that purpose, a detailed statement of his income; and if the said Commissioners shall find that the absentee has stated his income less than it really is, that the whole estate, of

whatever it consist, of the absentee, deducting the sum of which the revenue of the state is defrauded, do pass to the next heir. That the informer in this case also do have a suitable reward.

Note F, page 23.

Let us suppose the whole rental of land and houses, and interest of money lent, in a certain state to be 50 millions; and that 20 millions are required for the service of the government. If the 20 millions be levied directly upon the rich, 30 millions only remain for the enjoyments of that order: and 30 millions only circulate in the country; which, being repeated 12 times, allows 360 millions for the subsistence of the labouring classes for the year. If on the other hand, the 20 millions had not been taken from the rich, the whole 50 millions would then circulate 12 times in the year, allowing 600 millions for the support of industry. On this, a tax of $\frac{1}{30}$ or to allow largely for expence of collection, $\frac{1}{20}$ on the price of necessaries, would produce the 20 millions required by the state; while by this means the enjoyments of the rich would increase in the proportion of 5 to 3, and those of the poor in that of 57 to 36; and the utmost advance that it could occasion in the price of the productions of industry, would be about $\frac{1}{15}$.

Note G, page 36.

In this proposition we take into consideration the fact, that in every instance in which paper money has formed wages, it has created both a production of industry, and an income to a labourer, where otherwise there would have been none. If we consider the innumerable instances in which all paper money has performed this function; and that the loss which may have happened upon a portion of paper money can have happened but once; we shall clearly comprehend the truth of this proposition.

Note H, page 40.

Hence it appears, that if any nation expect that the employment of the whole of its population upon those branches alone of industry in which it excels, conduces to wealth; such nation incurs a risk of employing industry in productions, which not only are of no value when produced, but which occasion a loss on that part of her productions which is of value.

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